

The Pacific Halibut and Sablefish Individual Fishing Quota (IFQ) Program

**Background, Elements, Performance, and
Pending and Proposed Changes**

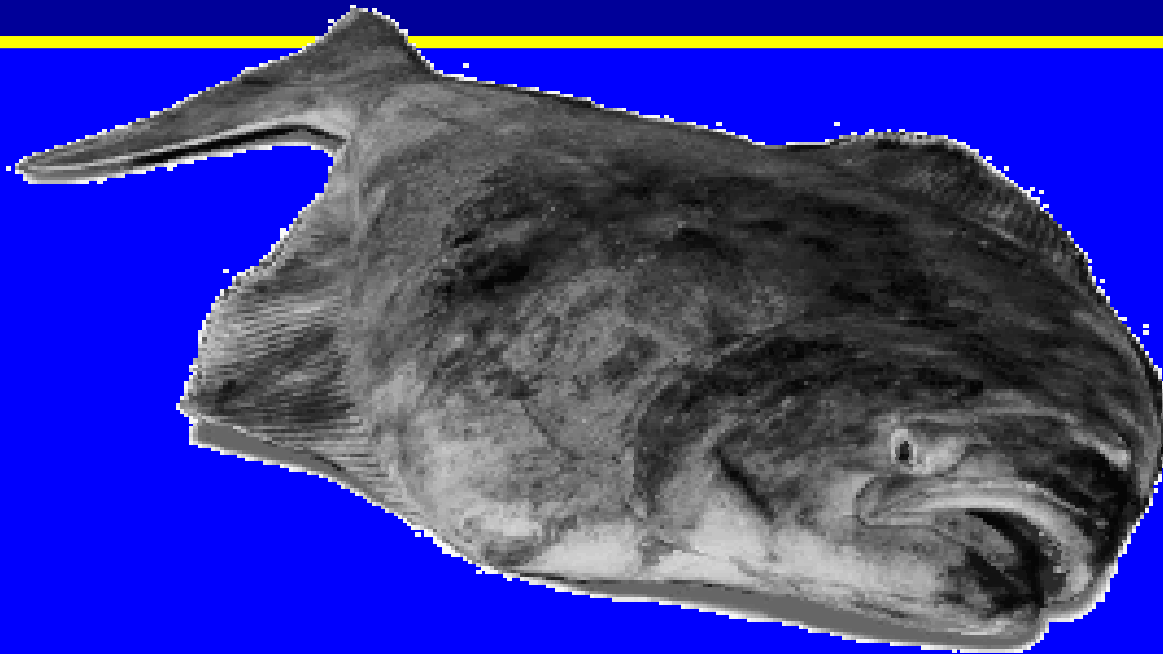
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Restricted Access Management (RAM)

Alaska Region, National Marine Fisheries Service

IIFET :: Corvallis, OR :: July 2000

Pacific Halibut

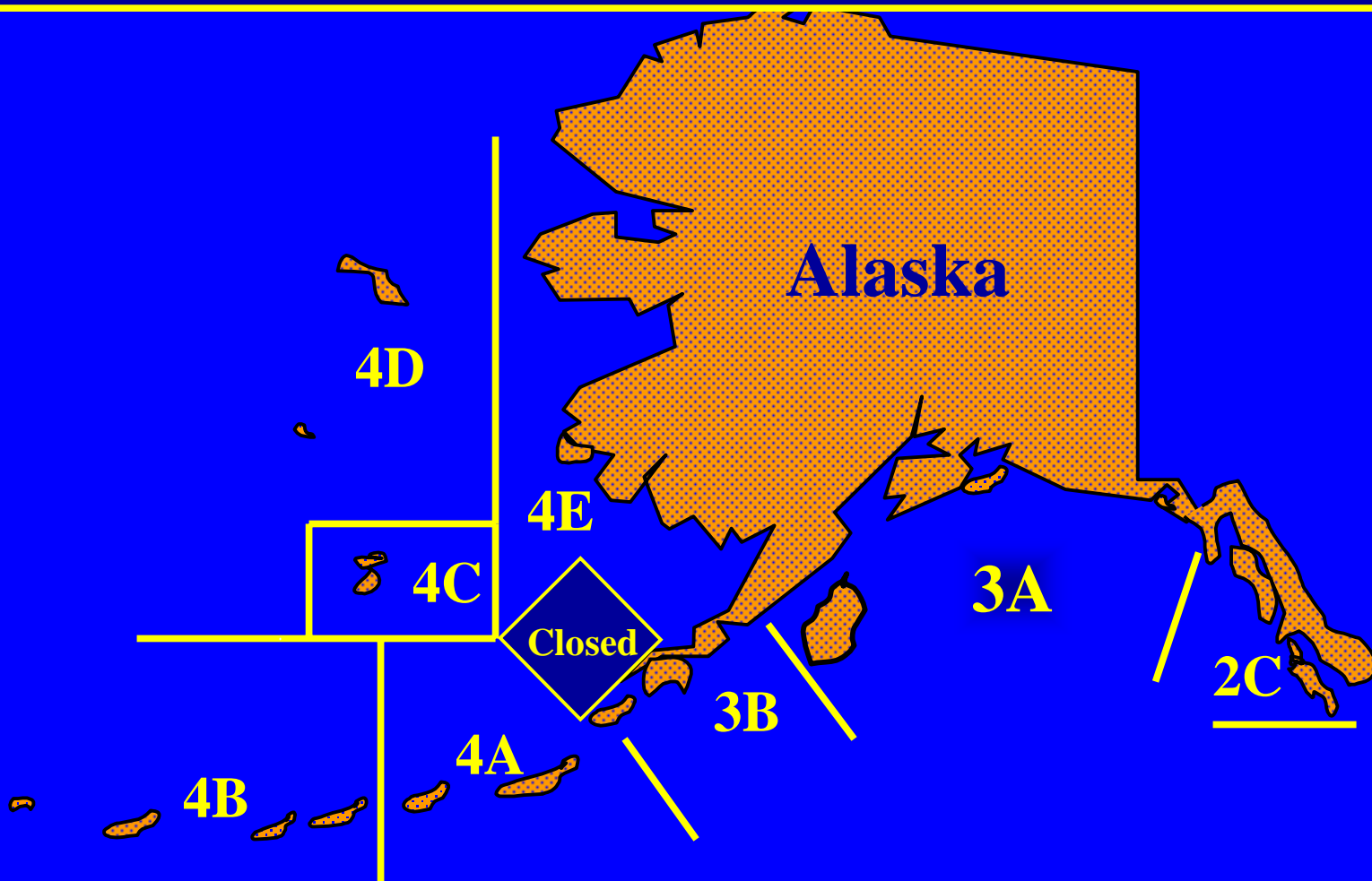


Hippoglossus Stenolepsis

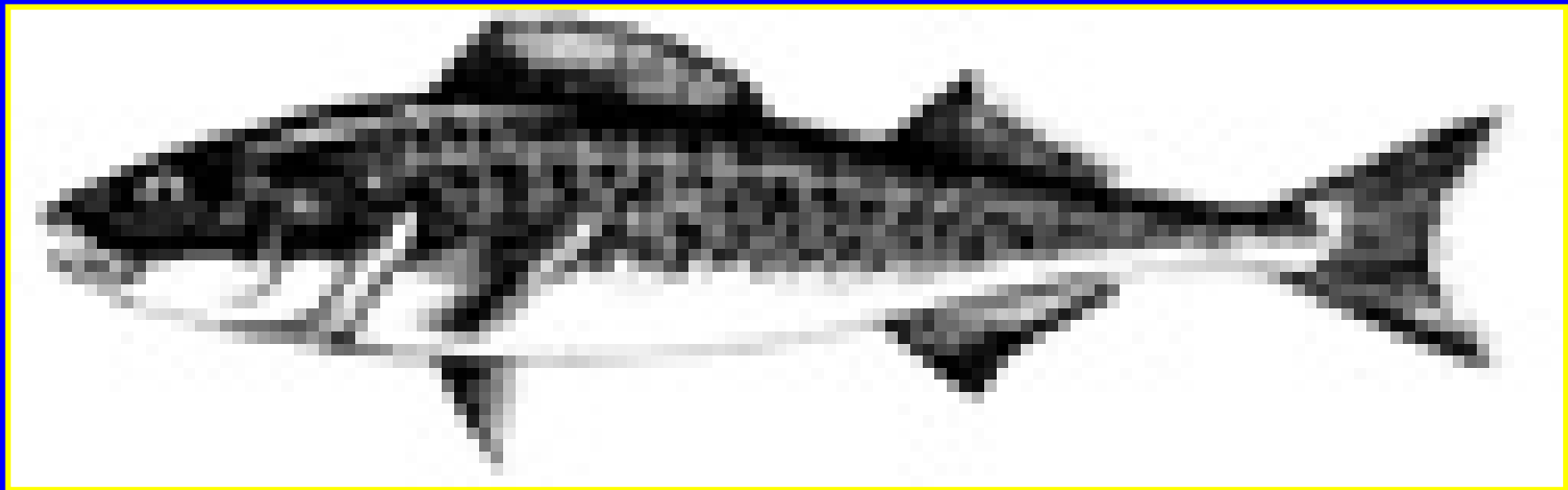
Pacific Halibut Management

- **Managed by International (US/Canada) Pacific Halibut Commission**
- **Commission sets annual commercial longline TACs by area, adopts other needed conservation rules**
- **NP Council recommends access and allocation rules to Secretary (Commerce)**
- **Eight Management Areas off Alaska**

Halibut Areas



Sablefish (Black Cod)



Anapoploma Fimbria

Sablefish Management

- **Managed by NMFS under Fishery Management Plan (FMP) adopted by NP Council and approved by Secretary**
- **Managed as a “groundfish” – 85% allocated to fixed gear (longline)**
- **Six Management Areas off Alaska**

Sablefish Areas



Harvest Levels and Value

<u>Species</u>	<u>Annual TACs</u>	<u>Annual Value</u>
Halibut:	35 – 60 million lbs. (commercial)	\$90 – 150 million
Sablefish:	25 – 45 million lbs. (Federal longline)	\$75 – 150 million

Effort Increases in '70s & '80s

- **Salmon limited entry displaced fishers, who sought new fisheries**
- **inexpensive to enter, can be fished from smaller (<60) vessels**
- **Circle hook technology (1978) increased catching efficiency**
- **Sablefish “Americanized” by mid-1980s**

The “Race for Fish”

- **By mid-1980s, the annual halibut season had collapsed to < 1 week in some areas**
 - **Season length reduced from months in 1970s**
 - **>3,500 vessels chasing the TAC**
- **Similar situation in sablefish fishery**
 - **>1,800 vessels compressed the season in race for the fish**

“Race for Fish” - Problems

- **Gear conflict on the fishing grounds**
- **Economic inefficiency and waste**
 - (“capital stuffing,” bycatch, lost gear, ghost fishing, high discard mortality, etc.)
- **Low CPUE**
- **Fishing in sometimes dangerous weather**
- **Low ex-vessel prices for fishers**
- **Poor product quality**
- **Fresh fish rare, unhappy consumers**

NP Council Takes Steps

- **Early 1980s - halibut moratorium**
 - **Denied by OMB/Secretary of Commerce**
- **Mid-1980s Sablefish overcapitalized**
- **Council explored options with industry**
 - **Input controls (license limitation, more gear restrictions, etc.)**
 - **Output controls (allocated quota system)**
- **Agreed to add halibut to considerations**

Arguments Against IFQs

- **“Give-away” of public resource**
- **Contrary to competitive fishing lifestyle**
- **Initial “windfall profits” unfair**
- **Shift of bargaining power to IFQ holders**
- **Consolidation - could harm skippers, crews, and fishing communities**
- **Compliance difficult (incentive for high-grading, data fouling, non-reporting)**

Arguments For IFQs

- **Extend season length to ~8 months**
 - **Conservation benefits**
 - **Consumer benefits**
- **Reduce capital inputs**
 - **Fewer operations**
 - **Less expensive operations**
- **Improve safety at sea**
- **Increase ex-vessel value, bigger paydays**

Decisions - 1991 to 1993

- **December 1991 - Council recommended program for both halibut and sablefish**
- **April 1992 - Affirmed on reconsideration**
- **Industry committee appointed to work with regulatory process**
- **Early 1993 - proposed rule published**
- **November 9, 1993 - Final rule published**

Significant Program Elements

- **Quota Share (QS units) permits and annual Individual Fishing Quota (IFQ pounds) permits are identified by:**
 - **Species (halibut or sablefish)**
 - **Management Area**
 - **Vessel Category**
 - **“Blocked” or “unblocked”**
- **QS use caps and Vessel IFQ caps**

QS/IFQ Relationship - 1

- **QS is a permit, expressed in units**
 - Permit is identified by species, area, vessel category, and whether blocked or unblocked
 - Permit is considered “permanent” - does not change from year to year
- **Annually (on January 31) all QS units for each area and species are summed**
 - Calculation yields the Quota Share Pool (QSP) for that area and that year

QS/IFQ Relationship - 2

- **Amount of QS in area held by a person is then divided by the QSP for that area**
- **Resulting fraction is multiplied by the annual TAC for that area/species**
- **Result is the pounds of fish on the person's annual IFQ permit**

$$\underline{\text{QS/QSP} \times \text{TAC} = \text{IFQ}}$$

- **IFQ permit is constrained by QS limits**

QS/IFQ Vessel Categories

<u>Vessel Type/Length</u>	<u>Halibut</u>	<u>Sablefish</u>
Processor (freezer)	A	A
Catcher, > 60'	B	B
Catcher, 35' to 60'	C	C
Catcher, < 35'	D	C

QS Use Caps

<u>IFQ Species</u>	<u>IFQ Area</u>	<u>CAP</u>
Halibut	2C	1.0%
	2C, 3A, 3B	0.5%
	4A – 4E	1.5%
<hr/>		
Sablefish	Southeast	1.0%
	All Areas	1.0%

“Blocked” & “Unblocked” QS

- **QS is “blocked” if it yields <20,000 IFQ#**
 - Based on 1994 (year issued) TACs and QSPs
- **If blocked, it may not be subdivided when transferred - all units go together**
- **May not hold more than 2 blocks in one area, or 1 block and unblocked to QS cap**
- **“Sweep-up” of small blocks allowed**
- **More than 80% of all QS is blocked**

Transfer Constraints

- **NMFS must approve applications for transfer, or there is no legal transfer**
- **“A” shares may be leased (IFQ transfer)**
 - **<5% of halibut, < 15% of sablefish**
- **Catcher shares may only transfer to**
 - **An initial issuee, or to**
 - **An “IFQ Crewmember” (a *bona fide* fisher)**
- **If initial issuee adds member(s), QS must transfer to qualified individual(s)**

Compliance Requirements

- **IFQ fisher must have IFQ permit on board while fishing and landing**
- **May only deliver to “Registered Buyer”**
- **Must hail in no less than 6 hours prior to landing**
- **Must report using IFQ landing card**
- **Must use electronic transaction terminal**
- **RB must file IFQ shipment report**

Some Legal Considerations

- **QS/IFQ represents a privilege**
 - It is not a property right
 - It may be voided without compensation
 - It may only transfer with NMFS approval
 - QS/IFQ permits convey no ownership in the fish
- **QS/IFQ has some elements of property**
 - It may be used as collateral
 - It may transfer by “operation of law” (repossession, wills, divorce decrees, etc.); however,
 - If QS is so transferred, it may be restricted (i.e., no IFQ will be issued unless transferee is qualified)

Initial Issuance - Eligibility

- **QS initially issued to vessel owners and lessees (not hired skippers or crew)**
- **Must have owned/leased vessel(s) that made landings in 1988, 1989, and/or 1990**
- **Amount issued = the sum of pounds of legal landings from 5 “best” years, 1984-1990 (halibut), 1985-1990 (sablefish)**
- **Actual landings - no “unavoidable circumstance” or “hardship” claims**

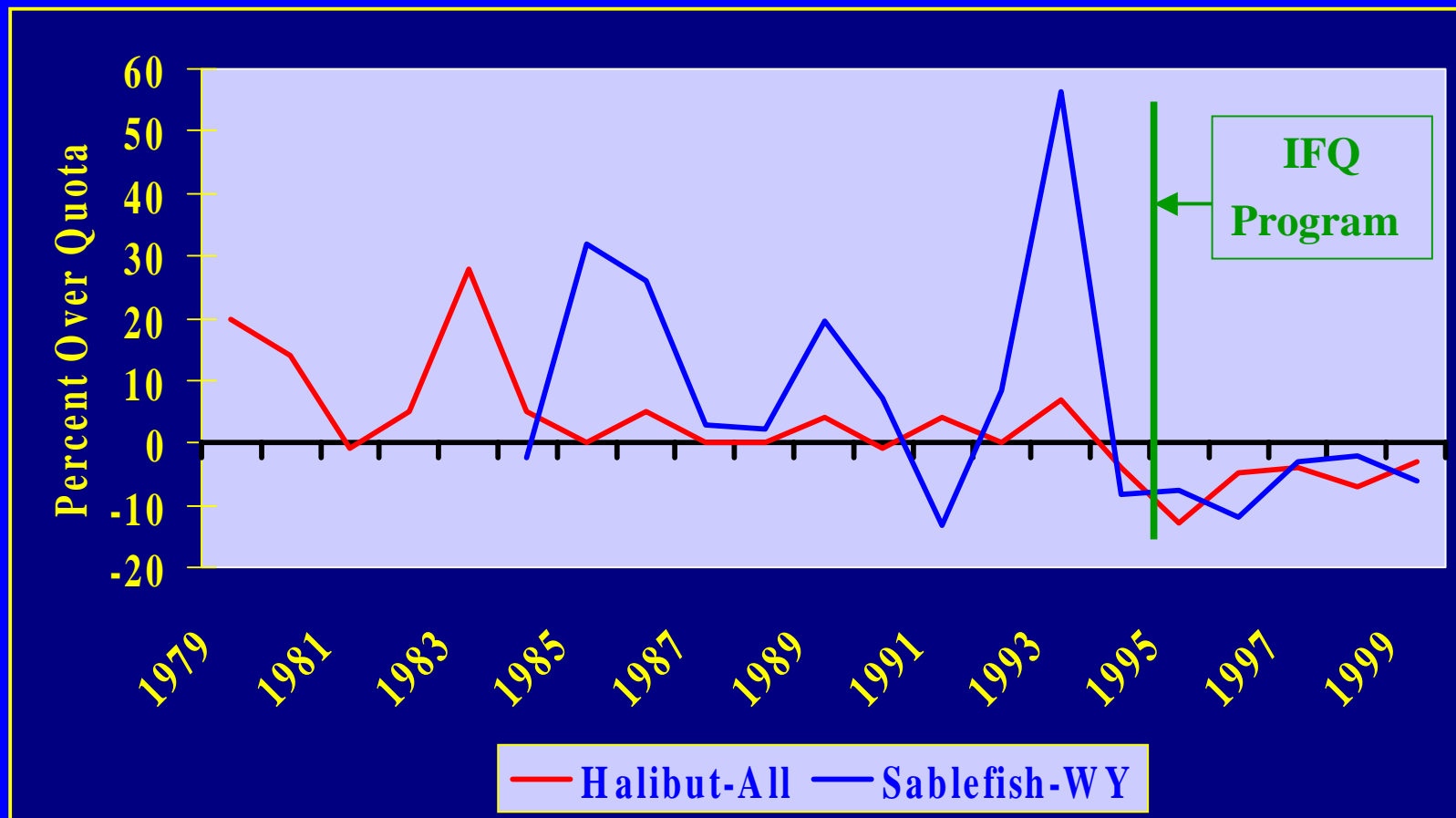
Program Implementation

- **NMFS created database of landings, vessels, owners, and permit holders**
- **Mailed materials to all in data base**
- **Received ~ 8,000 applications**
 - **6,000+ halibut; 2,000+ sablefish**
- **Issued: ~ 5000 halibut, ~ 1200 sablefish**
- **Denied (in whole or in part) ~ 1800**
- **10% of denials administratively appealed**

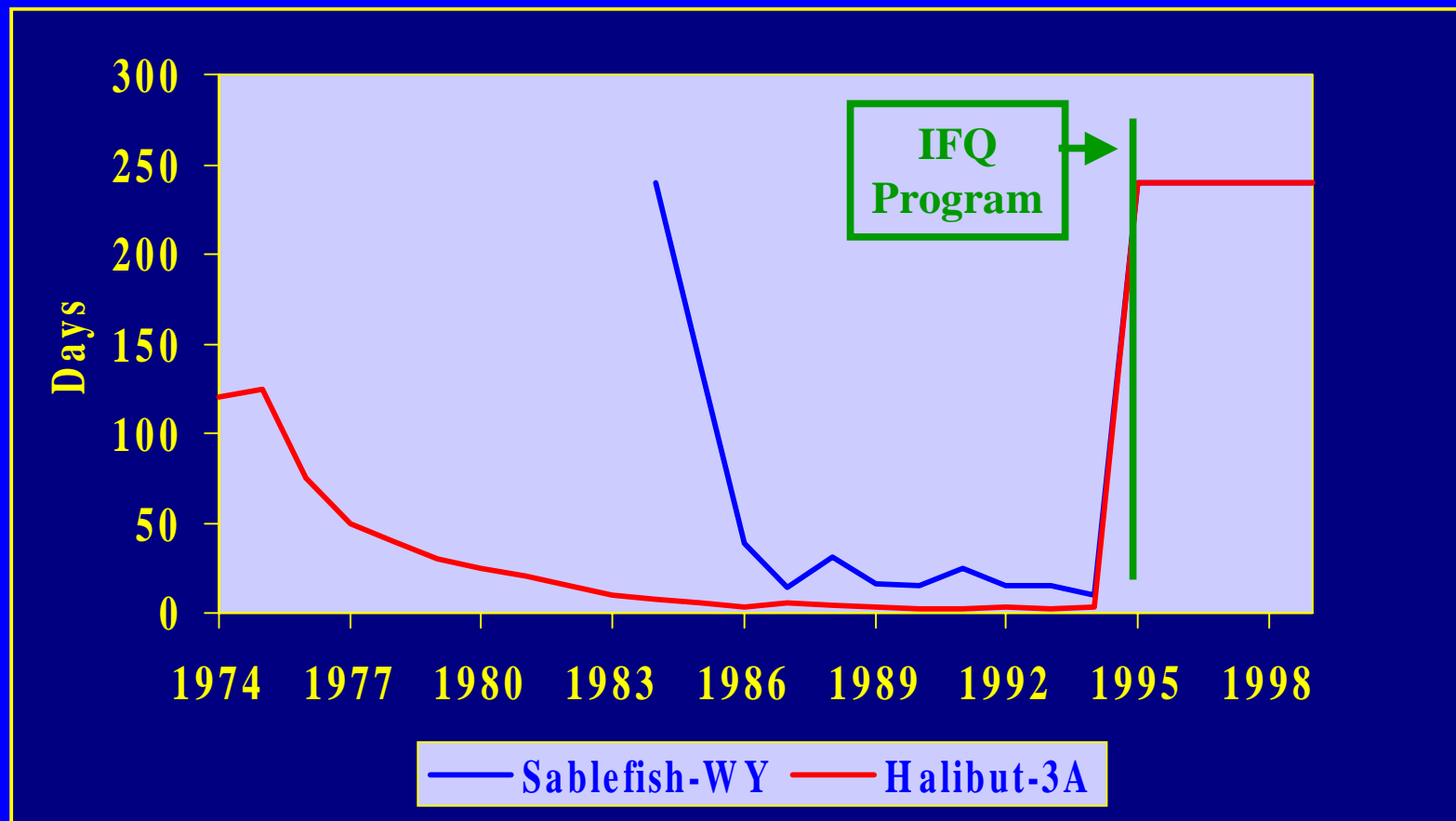
Performance - Conservation

- **TAC not exceeded in 5 years under IFQs**
- **CPUE increased, discards decreased**
- **Discard mortality decreased**
- **Lost gear rare, little ghost fishing**
- **No verified evidence of high-grading**
- **Data fouling and non-reporting not a major problem**
 - **But “you only know what you know”**

Alaska Halibut and Sablefish Percentage Overharvest



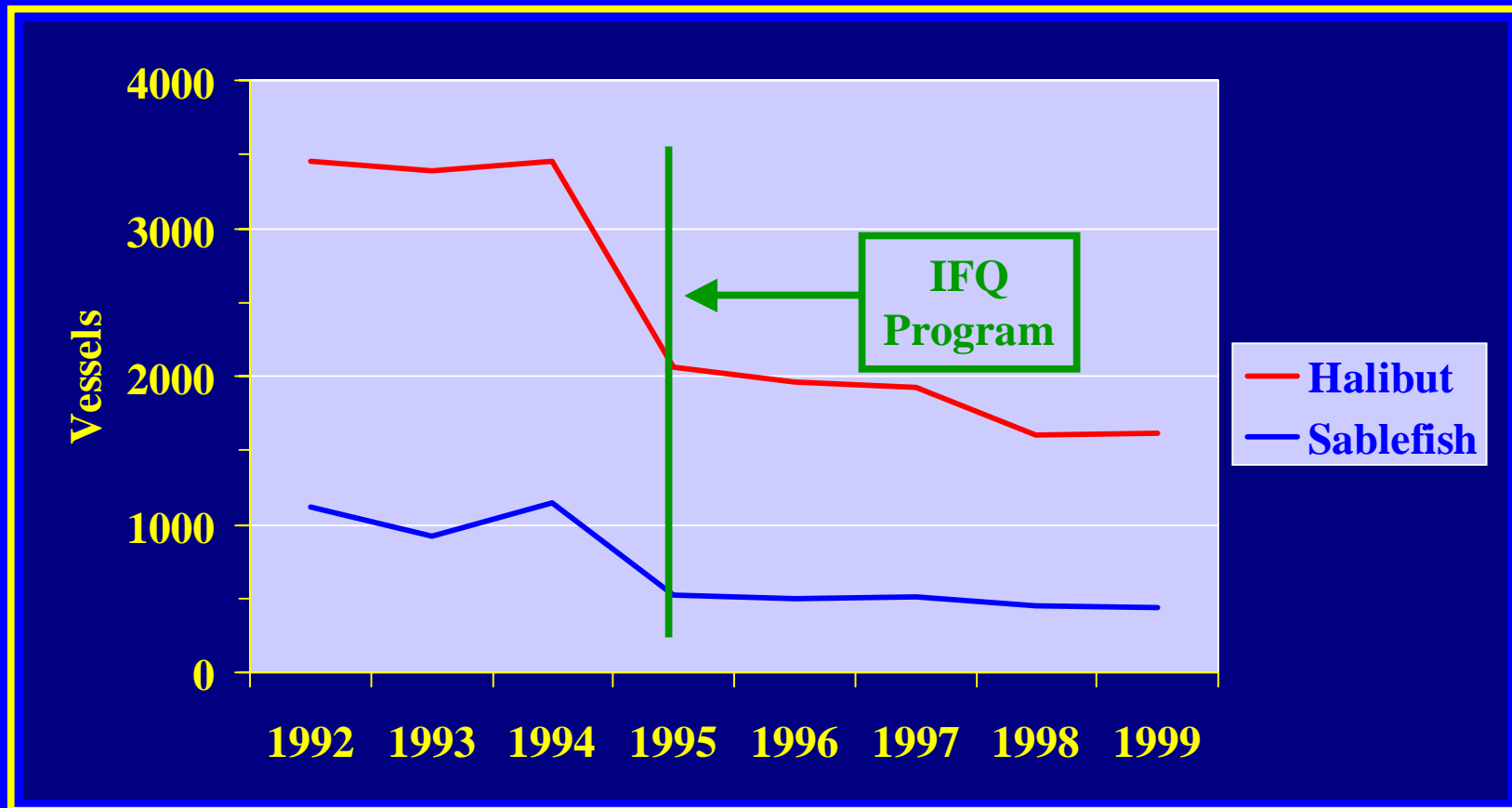
Alaska Halibut and Sablefish Season Length



Performance - Consolidation

- **Halibut QS holders declined from 4800 to 3800 (year-end 1998)**
- **Sablefish QS holders declined from 1050 to 919 (year-end 1998)**
- **~ 900 new entrants hold ~15% of QS**
- **Halibut vessels declined from 3450 (1994) to 1601 (1998)**
- **Sablefish vessels numbers declined from 1139 (1994) to 449 (1998)**

Alaska Halibut and Sablefish Vessels Participating



Performance - Some Numbers

- **NMFS/RAM processes ~ 1500 IFQ transfers annually**
 - More during first 3 years
- **~12,000 IFQ landings are annually reported using transaction terminals**
- **Ex-vessel values increased 50% - 100%**
- **USCG Search & Rescue decreased 50%**
- **Fresh halibut on market 8 months/year**

Performance - Bad Guys

- **NMFS/Enf and USCG report that compliance is “good” -- but not perfect**
- **Penalties for violations may be severe**
 - **Overages >10% of available IFQ results in confiscation and fines**
 - **Fishing without IFQ has resulted in forfeiture of vessel**
 - **Some violations (fraud) have resulted in permanent forfeiture of QS**
- **Incentive for all to comply/provide info**

Changes Pending - Fees

- Under Magnuson/Stevens Act, IFQ fishers to be charged up to 3% of ex-vessel receipts (implementing 2000)
- Funds to be used for management & enforcement, and for IFQ loan program
- Fees based on “actual” or “standard” ex-vessel values
 - “Standard” values derived from RB reports
 - “Actual” must be proven by fisher

Changes Pending - More Loans

- Under Magnuson/Stevens Act, loans for IFQ purchases are made by NMFS
- Will finance 80% of value, up to 25 years, with interest at discount rate +2%
- Program now operational, but small
- 25% of fees available for loan program, could result in \$50,000,000/year in loan availability
- Effect on QS market?

Changes Proposed - Charters

- **Halibut sport charter fleet growing rapidly, especially in 2C and 3A**
 - No current limits on catch, estimated to be 15% of commercial TAC, leading to allocation conflict
- **NP Council recommended a “Guideline Harvest Level” for charter industry**
- **Council has also voted to “fast track” development of Charter IFQ program to work with existing halibut IFQ system**
 - Final action scheduled for February 2001

Changes Proposed - Villages

- **40+ Gulf of Alaska villages (i.e., < 2000 people, no road) were not included in the Bering Sea CDQ program**
- **Have experienced 20% - 25% “drain” of QS initially-issued to village residents**
- **Have petitioned the Council to consider program allowing community-held QS**
- **Council will decide whether to move forward at October 2000 meeting**

Lessons Learned

- **Design of program can effectively address community values and ethics**
- **There will be “winners” and “losers”**
- **There will be consolidation, resulting in fewer fishers/vessels (else why bother?)**
- **There will be controversy (intensified if open access precedes IFQs)**
- **Program is a challenge to management and enforcement regimes**

Conclusion

Alaska IFQ program is very large, quite complex, and still controversial

For More Information:

800-304-4846

<www.fakr.noaa.gov>

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